Financial Statements of

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Year ended March 31, 2014

June 26, 2014

Independent Auditor's Report

To the Board of British Columbia Mental Health Society (Riverview) Branch

We have audited the accompanying financial statements of British Columbia Mental Health Society (Riverview) Branch, which comprise the statement of financial position as at March 31, 2014 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation of these financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2014 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw your attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2014

		2014		2013
Financial assets				
Cash and cash equivalents	$	-	$	205
Accounts receivable (note 2)		27,374		33,531
BC Public Service Long-term Disability Plan (note 5(b))		-		1,231
		27,374		34,967
Liabilities				
Accounts payable and accrued liabilities (note 3)		-		7,986
Retirement allowance (note 5(a))		-		207
		-		8,193
Net financial assets	$	27,374	$	26,774
Non-financial assets				
Prepaid expenses	$	-	$	600
		-		600
Accumulated surplus	$	27,374	$	27,374

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Operations and Accumulated Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

	2014 Budget	2014	2013
Revenues:			
Provincial Health Services Authority contributions	$ -	$ -	$ 11,809
Medical Services Plan	-	-	446
Research and designated contributions (note 4)	-	-	247
Other (note 7(a))	-	-	117
Other contributions	-	-	26
	-	-	12,645
Expenses (note 7(b)):			
Mental health and substance use	-	-	12,633
Corporate	-	-	12
	-	-	12,645
Annual surplus	$ -	$ -	$ -
Accumulated surplus, beginning of year	27,374	27,374	27,374
Accumulated surplus, end of year	$ 27,374	$ 27,374	$ 27,374

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Changes in Net Financial Assets
(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

	2014 Budget	2014	2013
Annual surplus	$ -	$ -	$ -
Transfer of tangible capital assets	-	-	169
	-	-	169
Acquisition of inventories held for use	-	-	(652)
Acquisition of prepaid expenses	-	-	(600)
Consumption of inventories held for use	-	-	773
Transfer of prepaid expenses	-	600	3,638
	-	600	3,159
Increase in net financial assets	-	600	3,328
Net financial assets, beginning of year	26,774	26,774	23,446
Net financial assets, end of year	$ 26,774	$ 27,374	$ 26,774

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

	2014	2013
Cash flows from (used in) operating activities:		
Annual surplus	$ -	$ -
Items not involving cash:		
Retirement allowance expense	-	1
Transfer of retirement allowance to Provincial Health Services Authority	(207)	-
Transfer of BC Public Service Long-term Disability Plan to Provincial Health Services Authority	1,231	-
BC Public Service Long-term Disability Plan income	-	(737)
	1,024	(736)
Net change in non-cash operating items (note 8(a))	(1,229)	13,233
Net change in cash from operating activities	(205)	12,497
Financing activities:		
Retirement allowance benefits paid	-	(668)
BC Public Service Long-term Disability Plan benefits contributions	-	(12,024)
Net change in cash from financing activities	-	(12,692)
Decrease in cash and cash equivalents	(205)	(195)
Cash and cash equivalents, beginning of year	205	400
Cash and cash equivalents, end of year	$ -	$ 205

Supplementary cash flow information (note 8)

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

The British Columbia Mental Health Society (Riverview) Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six health authorities in British Columbia ("BC"). The Branch is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The following agencies/programs (collectively referred to as "Agencies") are also included in PHSA:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Emergency Health Services Corporation;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Forensic Psychiatric Services Commission; and

Health Shared Services BC.

Effective December 31, 2001, the above-noted branch societies except for Health Shared Services BC and British Columbia Emergency Health Services Corporation were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

During the year ended March 31, 2013, operations of the Branch ceased. The patients and relevant staff were transferred to regional Health Authorities.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for using in providing services, are recorded and referred to as deferred capital contributions, and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Branch.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS 3100, *Restricted Assets and Revenues;* and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the statement of operations and certain deferred capital contributions would be recorded differently under PSAS. Accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 did not have significant impact on the Branch's financial statements.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectible.

(d) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

(i) Defined benefit obligations, including multiple employer benefit plans (continued):

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service lifetime of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2013 - 10 years). Actuarial gains and losses on event-driven benefits such as long-term disability benefits are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Branch to pay benefits occurs.

(e) Non-financial assets:

Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period during which the service benefits are received.

(f) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Branch is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

1. Significant accounting policies (continued):

(g) Revenue recognition (continued):

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist the Branch in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

A significant area requiring the use of estimates includes the valuation of accounts receivable, contingent liabilities and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(i) Foreign currency translation:

The Branch's functional currency is the Canadian dollar. The Branch does not have significant transactions denominated in foreign currencies.

(j) Financial instruments:

Financial instrument classification is determined upon inception. Financial instruments are not reclassified into another measurement category for the duration of the period they are held.

1. Significant accounting policies (continued):

(k) Financial instruments (continued):

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Branch's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

2. Accounts receivable:

	2014	2013
Provincial Health Services Authority	$ 27,374	$ 33,362
Federal government	-	136
Research and designated contributions	-	14
Other	-	19
	$ 27,374	$ 33,531

3. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable and accrued liabilities	$ -	$ 6,058
Accrued Mental Health Plan costs	-	1,753
Salaries and benefits payable	-	129
Accrued vacation pay	-	46
	$ -	$ 7,986

4. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from various non-government grantors, such as foundations, pharmaceutical companies and other donors, for various research projects in the fields of treatment, clinical trials, and other special purpose initiatives.

	2014	2013
Deferred research and designated contributions, beginning of year	$ -	$ 254
Contributions received during the year	-	54
Transfer of research and special purpose projects to Forensic Psychiatric Services Commission	-	(75)
Amounts recognized as revenue in the year	-	(247)
Amounts to be received in future periods	-	14
Deferred research and designated contributions, end of year	$ -	$ -

5. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

5. Employee benefits (continued):

(a) Retirement allowance (continued):

The Branch's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2013 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2013 were derived. During the year ended March 31, 2014, all employees of the Branch transferred to other Agencies.

Information about retirement allowance benefits is as follows:

	2014	2013
Accrued benefit obligation:		
Severance benefits	$ -	$ 84
Sick leave benefits	-	6
	-	90
Unamortized actuarial gain	-	117
Accrued benefit obligation	$ -	$ 207

The accrued benefit obligation for retirement allowance reported on the statement of financial position is as follows:

	2014	2013
Accrued benefit obligation balance, beginning of year	$ 207	$ 874
Net benefit expense:		
Interest expense	-	6
Current service cost	-	1
Amortization of actuarial gain	-	(6)
Net benefit expense	-	1
Benefits paid	-	(668)
Transfer of employees to other Agencies	(207)	-
Accrued benefit obligation, end of year	$ -	$ 207

5. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Branch's accrued retirement benefit obligation are as follows:

	2014	2013
Accrued benefit obligation as at March 31:		
Discount rate	4.26%	4.41%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.41%	4.44%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) BC Public Service Long-term Disability Plan:

The BC Public Service administers the Long-term Disability Plan (the "Plan") for the former employees of the Branch and other provincially-funded organizations. The Plan is a multiple employer plan. The Branch's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Branch's net plan (assets) liabilities are reflected in these financial statements.

The Branch's (assets) liabilities are based on the actuarial valuation at September 30, 2013.

The BC Public Service Long-term Disability Plan asset reported on the statement of financial position is as follows:

	2014	2013
Accrued long-term disability benefit asset	$ -	$ (1,124)
Fair value of plan assets	-	(107)
Net funded asset	$ -	$ (1,231)

5. Employee benefits (continued):

(b) BC Public Service Long-term Disability Plan (continued):

		2014		2013
Long-term disability benefits (asset) obligation, beginning of year	$	(1,231)	$	11,530
Net benefit expense:				
Long-term disability expense		-		1,483
Contributions to other employee benefit plans		-		512
Expected return on assets		-		305
Administration expense		-		57
Actuarial gain		-		(3,094)
Net benefit income		-		(737)
Contributions to the Plan		-		(12,024)
Transfer of BC Public Service Long-term Disability Plan to PHSA		1,231		-
Long-term disability benefits asset, end of year	$	-	$	(1,231)

(c) Employee pension benefits:

The Branch and its employees contributed to the Public Service Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Public Service Pension Plan of $nil (2013 – $364) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2011 indicated an unfunded liability of approximately $226,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 56,000 active members, of which approximately 80 were employees of the Branch in 2013. During the year ended March 31, 2014 all employees of the Branch transferred to other Agencies of PHSA.

6. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

		2014		2013
Deferred capital contributions, beginning of year	$	-	$	169
Transfer of unamortized deferred capital contributions		-		(169)
Deferred capital contributions, end of year	$	-	$	-

The Branch does not have unspent capital contributions.

7. Statement of operations:

(a) Other revenues:

		2014		2013
Recoveries from sales of goods and services	$	-	$	63
Other		-		54
	$	-	$	117

7. Statement of operations (continued):

(b) The following is a summary of expenses by object:

	2014	2013
Equipment and building services:		
Rent	$ -	$ 3,370
Building and grounds service contracts	-	485
Equipment	-	373
	-	4,228
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	-	2,264
Health and support services providers	-	952
	-	3,216
Sundry:		
Professional fees	-	1,797
Travel	-	52
Patient transport	-	13
Communication and data processing	-	11
Other	-	1,032
	-	2,905
Compensation and benefits:		
Compensation	-	1,271
Employee benefits	-	3,676
Gain on event-driven employee benefits	-	(3,094)
	-	1,853
Research and designated expenses	-	247
Supplies:		
Drugs and medical gases	-	95
Food and dietary	-	54
Printing, stationery and office	-	29
Laundry and linen	-	2
Medical and surgical	-	2
Other	-	14
	-	196
	$ -	$ 12,645

8. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2014	2013
Accounts receivable	$ 6,157	$ 25,430
Accounts payable and accrued liabilities	(7,986)	(15,102)
Deferred research and designated contributions	-	(254)
Inventories held for use	-	121
Prepaid expenses	600	3,038
	$ (1,229)	$ 13,233

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from acquisition of tangible capital assets on the statement of cash flows.

	2014	2013
Transfer of tangible capital assets	$ -	$ (169)

9. Related parties and other agencies:

(a) Foundations and auxiliaries:

The Branch had economic relationships with the British Columbia Mental Health Foundation (the "Foundation") which is responsible for fundraising activities for the Branch. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* with separate governance structures. The Foundation is a registered charity under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the Foundation are not included in the financial statements of the Branch.

(b) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Branch.

9. Related parties and other agencies (continued):

(b) Related party transactions with PHSA and members (continued):

During the year ended March 31, 2014, the Branch was not involved in related party transactions with the other PHSA members. During the year ended March 31, 2013, the Branch was involved in the following related party transactions with the other PHSA members listed in note 1:

For the year ended March 31, 2013, expenses include $1,159 resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.